

Before the
Federal Communications Commission
Washington, D.C. 20554

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

In the Matter of

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Federal-State Board on
Universal Service

) CC Docket No. 96-45 /
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)

**REPLY COMMENTS UPDATING
PETITION FOR RECONSIDERATION AND CLARIFICATION**

The United States Catholic Conference, Benton Foundation, Center for Media Education, Consumer Action, Edgemont Neighborhood Coalition, Migrant Legal Action Program and Washington Legal Clinic for the Homeless ("U.S. Catholic Conference, *et al.*" or "Petitioners"), through undersigned counsel, hereby submit the following reply comments, pursuant to the Commission's request for comments to refresh the record for Petitions for Reconsideration filed in the above-referenced proceeding.¹

In its initial comments, U.S. Catholic Conference, *et al.*, reiterated their request for reconsideration of four items initially raised in their Petition. In these reply comments, U.S. Catholic Conference, *et al.* focus on one of those requests, namely their call for expansion of the Lifeline eligibility standard, and respond to the assertions of WorldCom, Inc. ("WorldCom") regarding self-certification of Lifeline eligibility.

Worldcom's initial comments focus almost entirely on the possible use of self-certification or "no certification" by states or the Commission as a means of expanding Lifeline

¹See *Parties Asked to Refresh the Record Regarding Reconsideration of Rules Adopted in the 1997 Universal Service First Report and Order*, Public Notice, DA 01-1647 (released July 11, 2001).

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eligibility.² WorldCom states that the increased use of consumer self-certification "could increase fraud and abuse."³ WorldCom also claims that such "fraud and abuse" caused by the increased use of self-certification would "lead to an unnecessary increase in the size of the universal service support mechanism."⁴ In support of its fraud theory, WorldCom cites a single statistic from California suggesting that California receives a disproportionate share of federal low-income Lifeline support because more households in California receive Lifeline than receive "means-tested cash and non-cash assistance."⁵

U.S. Catholic Conference, *et al.* believe that the single set of statistics presented by WorldCom does not support any correlation between the use of self-certification and an increase in "fraud and abuse." Quite to the contrary, the fact that California receives a disproportionate share of federal low-income universal service funds is merely reflective of the fact that California bases eligibility for Lifeline on household income, rather than enrollment in certain welfare programs.⁶ In turn, California has a much higher "take-rate" among low-income households than

²WorldCom, Inc. Comments at 1-2 (hereinafter "WorldCom Comments").

³*Id.* at 2.

⁴*Id.*

⁵*Id.* (stating that the "take-rate" in California is "122 percent of all households receiving means-tested or non-cash assistance.").

⁶*See Order Instituting Rulemaking on the Commission's Own Motion to Consider Modifications to the Universal Lifeline Telephone Service Program and General Order 153*, Decision No. 00-10-028, 2000 Cal. PUC LEXIS 838, *16 (2000) ("To qualify for discounted phone service, the members of a household must collectively earn no more than a specified amount of income."); *see also* California Public Utilities Commission, Universal Lifeline Telephone Service Eligibility, available at www.cpuc.ca.gov/static/industry/teleco/consumer+information/public+programs/ults.htm#program (noting that the current Universal Lifeline Telephone Service annual income limit for a household with 1 to 2 members is

any other state.⁷ This is likely due to the fact that California's program is able to enroll low-income households that are below the poverty line, but cannot participate in traditional welfare programs due to welfare benefit time-limits or other enrollment barriers. In addition, some who are otherwise eligible for traditional welfare programs do not participate due to the perceived stigma associated with those programs.

Furthermore, WorldCom presents no facts or statistics to back up its claim that fraud and abuse are present in California's Universal Lifeline Telephone Service ("ULTS") program, or to suggest a workable, alternate method of income-based verification. In fact, if WorldCom's suggestions were implemented and the Commission and states were prohibited from using self-certification, innovative income-based Lifeline programs, like California's ULTS program, would likely become saddled with enormous administrative expenses that would drive up the costs of the program, without any corresponding savings from reductions in fraudulent claims. A flat prohibition on the use of self-certification would also likely deter low-income households from applying for Lifeline due to the additional paperwork burden.

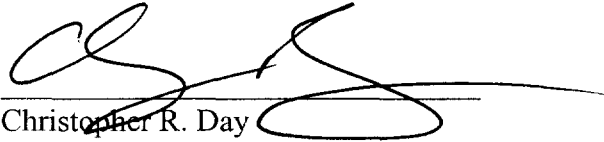
In examining changes to the federal default and state Lifeline rules, the Commission should seriously consider an income-based eligibility standard. Self-certification, combined with an effective system of audits, represents one potentially effective method of implementing such an income-based standard. Accordingly, the Commission should reject WorldCom's

\$18,800).

⁷See *Universal Service Lifeline and Link-Up Programs, Ratio of Lifeline Recipients to People in Poverty: Arranged by State*, Civil Rights Forum on Communications Policy (2000) (attached as Exhibit A) (noting that California has the highest Lifeline "take-rate" based on the ratio of recipients to people living below the poverty line).

premature and unsubstantiated call for a flat prohibition on the use of self-certification, and instead institute a rulemaking proceeding to formulate new Lifeline eligibility mechanisms that will address the extremely low Lifeline take-rates that currently exist in most states.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Christopher R. Day', is written over a horizontal line.

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Dated: September 4, 2001

EXHIBIT A



Universal Service Lifeline and Link-Up Programs

Ratio of Lifeline Recipients to People in Poverty: Arranged by State

All States	Pop 1999	Poverty % 99	Poverty # 99	Lifeline 00	Lifeline: Poverty
Alabama	4,431,000	15.1	671,000	18,676	1.00 to 35.93
Alaska	627,000	7.6	47,000	4,169	1.00 to 11.27
Arizona	4,845,000	12.0	579,000	22,118	1.00 to 26.18
Arkansas	2,553,000	14.7	375,000	8,863	1.00 to 42.31
California	33,867,000	13.8	4,677,000	3,157,704	1.00 to 1.48
Colorado	4,215,000	8.3	351,000	23,995	1.00 to 14.63
Connecticut	3,324,000	7.1	235,000	61,437	1.00 to 3.83
Delaware	763,000	10.4	79,000	606	1.00 to 130.36
DC	517,000	14.9	77,000	10,593	1.00 to 7.27
Florida	15,034,000	12.4	1,867,000	130,210	1.00 to 14.34
Georgia	7,789,000	12.9	1,005,000	74,604	1.00 to 13.47
Hawaii	1,214,000	10.9	132,000	12,590	1.00 to 10.48
Idaho	1,252,000	13.9	175,000	14,780	1.00 to 11.84
Illinois	12,129,000	9.9	1,206,000	49,347	1.00 to 24.44
Indiana	5,883,000	6.7	395,000	19,058	1.00 to 20.73
Iowa	2,828,000	7.5	211,000	6,105	1.00 to 34.56
Kansas	2,613,000	12.2	318,000	5,591	1.00 to 56.88
Kentucky	3,883,000	12.1	470,000	23,604	1.00 to 19.91
Louisiana	4,291,000	19.2	823,000	10,435	1.00 to 78.87
Maine	1,268,000	10.6	135,000	67,401	1.00 to 2.00
Maryland	5,045,000	7.3	368,000	3,885	1.00 to 94.72
Massachusetts	6,171,000	11.7	722,000	167,699	1.00 to 4.31
Michigan	10,103,000	9.7	977,000	132,432	1.00 to 7.38
Minnesota	4,794,000	7.2	346,000	54,787	1.00 to 6.32
Mississippi	2,758,000	16.1	444,000	13,370	1.00 to 33.21
Missouri	5,466,000	11.6	633,000	10,709	1.00 to 59.11
Montana	896,000	15.6	140,000	9,570	1.00 to 14.63
Nebraska	1,654,000	10.9	180,000	11,255	1.00 to 15.99
Nevada	1,922,000	11.3	216,000	10,551	1.00 to 20.47
New Hampshire	1,249,000	7.7	96,000	5,205	1.00 to 18.44
New Jersey	8,098,000	7.8	631,000	6,434	1.00 to 98.07
New Mexico	1,794,000	20.7	371,000	32,823	1.00 to 11.30
New York	18,486,000	14.1	2,603,000	657,267	1.00 to 3.96
North Carolina	7,504,000	13.5	1,017,000	44,434	1.00 to 22.89
North Dakota	615,000	13.0	80,000	11,329	1.00 to 7.06
Ohio	11,272,000	12.0	1,347,000	95,666	1.00 to 14.08
Oklahoma	3,262,000	12.7	414,000	2,401	1.00 to 172.43
Oregon	3,399,000	12.6	427,000	28,928	1.00 to 14.76
Pennsylvania	11,768,000	9.4	1,101,000	39,511	1.00 to 27.87
Rhode Island	982,000	9.9	97,000	46,244	1.00 to 2.10
South Carolina	3,800,000	11.7	445,000	21,091	1.00 to 21.10
South Dakota	701,000	7.7	54,000	11,403	1.00 to 4.74
Tennessee	5,534,000	11.9	659,000	30,264	1.00 to 21.78
Texas	20,005,000	15.0	3,007,000	236,432	1.00 to 12.72
Utah	2,145,000	5.7	122,000	19,237	1.00 to 6.34
Vermont	602,000	9.7	58,000	28,464	1.00 to 2.04
Virginia	6,823,000	7.9	542,000	22,305	1.00 to 24.30
Washington	5,692,000	9.5	539,000	61,809	1.00 to 8.72
West Virginia	1,755,000	15.7	276,000	5,546	1.00 to 49.77
Wisconsin	5,393,000	8.6	461,000	59,332	1.00 to 7.77
Wyoming	480,000	11.6	56,000	1,337	1.00 to 41.88

CERTIFICATE OF SERVICE

I, Amy Wolverton, hereby certify that I have this 4th day of September, 2001, mailed by First Class mail, postage prepaid, a copy of the "Reply Comments Updating Petition for Reconsideration and Clarification" to the following:

Sheryl Todd*
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445 Twelfth Street, SW, Room 5-A422
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Amy Wolverton

* Hand Delivered